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CASE UNSEALED PER ORDER OF COURT

**SEALED**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

December 2012 Grand Jury,

**13 CR 3046 CAB**

UNITED STATES OF AMERICA,	)	Case No. _____
	)	
Plaintiff,	)	<u>I N D I C T M E N T</u>
	)	
v.	)	Title 26, U.S.C.,
	)	Sec. 7201 - Tax Evasion
WILLIAM RICHARD BAILEY,	)	
	)	
Defendant.	)	
	)	
_____	)	

The Grand Jury charges:

INTRODUCTORY ALLEGATIONS

At all times relevant herein:

1. The federal income tax system of the United States of America relies upon citizens to truthfully, accurately, and timely report income and expense information to the Internal Revenue Service.

2. Beginning in or about 1989, and continuing through at least the date of this Indictment, defendant WILLIAM RICHARD BAILEY (hereinafter "defendant BAILEY") was a physician who practiced osteopathic medicine and provided medical services to patients of various clinics.

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JJO:nlv:San Diego  
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*lw*

1       3. In or about August and September 2004, defendant BAILEY  
2 executed documents that were purportedly part of the creation of a  
3 "trust" and "unincorporated business trust organization" (hereinafter  
4 "UBO") and was used by defendant BAILEY during at least calendar years  
5 2004 through 2011 for the purpose of concealing from the Internal  
6 Revenue Service income from defendant BAILEY's practice as a  
7 physician.

8       4. For at least calendar years 2004 through 2011, defendant  
9 BAILEY provided physician services in exchange for compensation under  
10 service contracts as an "employee" of the "UBO" with the entities of  
11 at least two physicians who operated clinics in San Diego County. The  
12 contracts directed the entities of the physicians to make payments for  
13 services provided by defendant BAILEY to the "UBO."

14       5. In or about September 2004, defendant BAILEY opened and  
15 caused to be opened a bank account in the name of the "UBO," whereby  
16 defendant BAILEY had signature authority on the bank account.

17       6. On or about April 15, 2005, defendant BAILEY failed to file  
18 a U.S. individual income tax return for tax year 2004.

19       7. On or about April 15, 2006, defendant BAILEY failed to file  
20 a U.S. individual income tax return for tax year 2005.

21       8. On or about April 15, 2007, defendant BAILEY failed to file  
22 a U.S. individual income tax return for tax year 2006.

23       9. On or about October 31, 2007, defendant BAILEY appeared  
24 before the U.S. Tax Court in the Southern District of California, and  
25 the Court made a finding that BAILEY had taxable income that must be  
26 reported to the Internal Revenue Service.

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Count 1

TAX EVASION

[26 U.S.C. § 7201]

10. The allegations set forth in paragraphs 1 through 6, and 9 above are realleged as if fully set forth herein.

11. Beginning on or about January 1, 2004, and continuing up to and including at least on or about September 10, 2008, within the Southern District of California, defendant WILLIAM RICHARD BAILEY (hereinafter "defendant BAILEY"), well-knowing and believing that he had taxable income and a tax due and owing for the calendar year 2004, did willfully attempt to evade and defeat this tax due and owing by him to the United States by committing the following affirmative acts of evasion, among others, the likely effect of each of which would be to mislead and conceal his true and correct income and tax due thereon from proper officers of the United States:

a. During the calendar year 2004, defendant BAILEY received checks from at least two physicians who operated clinics in San Diego County where defendant BAILEY provided physician services in exchange for compensation. Defendant BAILEY directed that the checks be made payable to the name of the "UBO."

b. During the calendar year 2004, defendant BAILEY deposited income from his practice as a physician into a bank account in the name of the "UBO" created for the purpose of tax evasion.

c. During the calendar year 2004, defendant BAILEY transferred and caused to be transferred funds from the bank account in the name of the "UBO" to pay for defendant BAILEY's personal expenses and benefit.

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1           d. On or about September 10, 2008, defendant BAILEY  
2 prepared and caused to be prepared and signed a false and fraudulent  
3 U.S. Individual Income Tax Return, Form 1040EZ, for the calendar year  
4 2004, on behalf of himself, which was filed with the Internal Revenue  
5 Service, and which contained and was verified by a written declaration  
6 that it was made under the penalties of perjury and that defendant  
7 BAILEY accurately listed all amounts and sources of income that he  
8 received during the calendar year 2004, and wherein it was stated that  
9 his taxable income for the calendar year 2004 was the sum \$0 and that  
10 the amount of the tax due and owing therein was the sum of \$0,  
11 whereas, as he then and there well knew and believed, his taxable  
12 income for the calendar year 2004 was in excess of that heretofore  
13 stated amount and that upon said additional taxable income an  
14 additional tax was due and owing to the United States.  
15 All in violation of Title 26, United States Code, Section 7201.

16                           Count 2

17                           TAX EVASION

18                           [26 U.S.C. § 7201]

19           12. The allegations set forth in paragraphs 1 through 5, 7 and 9  
20 above are realleged as if fully set forth herein.

21           13. Beginning on or about January 1, 2005, and continuing up to  
22 and including at least on or about September 10, 2008, within the  
23 Southern District of California, defendant WILLIAM RICHARD BAILEY  
24 (hereinafter "defendant BAILEY"), well-knowing and believing that he  
25 had taxable income and a tax due and owing for the calendar year 2005,  
26 did willfully attempt to evade and defeat this tax due and owing by  
27 him to the United States by committing the following affirmative acts  
28 of evasion, among others, the likely effect of each of which would be



1 to mislead and conceal his true and correct income and tax due thereon  
2 from proper officers of the United States:

3           a. During the calendar year 2005, defendant BAILEY  
4 received checks from at least two physicians who operated clinics in  
5 San Diego County where defendant BAILEY provided physician services  
6 in exchange for compensation. Defendant BAILEY directed that the  
7 checks be made payable to the name of the "UBO."

8           b. During the calendar year 2005, defendant BAILEY  
9 deposited income from his practice as a physician into a bank account  
10 in the name of the "UBO" created for the purpose of tax evasion.

11           c. During the calendar year 2005, defendant BAILEY  
12 transferred and caused to be transferred funds from the bank account  
13 in the name of the "UBO" to pay for defendant BAILEY's personal  
14 expenses and benefit.

15           d. On or about September 10, 2008, defendant BAILEY  
16 prepared and caused to be prepared and signed a false and fraudulent  
17 U.S. Individual Income Tax Return, Form 1040EZ, for the calendar year  
18 2005, on behalf of himself, which was filed with the Internal Revenue  
19 Service, and which contained and was verified by a written declaration  
20 that it was made under the penalties of perjury and that defendant  
21 BAILEY accurately listed all amounts and sources of income that he  
22 received during the calendar year 2005, and wherein it was stated that  
23 his taxable income for the calendar year 2005 was the sum \$0 and that  
24 the amount of the tax due and owing therein was the sum of \$0,  
25 whereas, as he then and there well knew and believed, his taxable

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1 income for the calendar year 2005 was in excess of that heretofore  
2 stated amount and that upon said additional taxable income an  
3 additional tax was due and owing to the United States.

4 All in violation of Title 26, United States Code, Section 7201.

5 Count 3

6 TAX EVASION

7 [26 U.S.C. § 7201]

8 14. The allegations set forth in paragraphs 1 through 5, 8 and 9  
9 above are realleged as if fully set forth herein.

10 15. Beginning on or about January 1, 2006, and continuing up to  
11 and including at least on or about September 10, 2008, within the  
12 Southern District of California, defendant WILLIAM RICHARD BAILEY  
13 (hereinafter "defendant BAILEY"), well-knowing and believing that he  
14 had taxable income and a tax due and owing for the calendar year 2006,  
15 did willfully attempt to evade and defeat this tax due and owing by  
16 him to the United States by committing the following affirmative acts  
17 of evasion, among others, the likely effect of each of which would be  
18 to mislead and conceal his true and correct income and tax due thereon  
19 from proper officers of the United States:

20 a. During the calendar year 2006, defendant BAILEY  
21 received checks from at least two physicians who operated clinics in  
22 San Diego County where defendant BAILEY provided physician services  
23 in exchange for compensation. Defendant BAILEY directed that the  
24 checks be made payable to the name of the "UBO."

25 b. During the calendar year 2006, defendant BAILEY  
26 deposited income from his practice as a physician into a bank account  
27 in the name of the "UBO" created for the purpose of tax evasion.

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1 c. During the calendar year 2006, defendant BAILEY  
2 transferred and caused to be transferred funds from the bank account  
3 in the name of the "UBO" to pay for defendant BAILEY's personal  
4 expenses and benefit.

5 d. On or about September 10, 2008, defendant BAILEY  
6 prepared and caused to be prepared and signed a false and fraudulent  
7 U.S. Individual Income Tax Return, Form 1040EZ, for the calendar year  
8 2006, on behalf of himself, which was filed with the Internal Revenue  
9 Service, and which contained and was verified by a written declaration  
10 that it was made under the penalties of perjury and that defendant  
11 BAILEY accurately listed all amounts and sources of income that he  
12 received during the calendar year 2006, and wherein it was stated that  
13 his taxable income for the calendar year 2006 was the sum \$0 and that  
14 the amount of the tax due and owing therein was the sum of \$0,  
15 whereas, as he then and there well knew and believed, his taxable  
16 income for the calendar year 2006 was in excess of that heretofore  
17 stated amount and that upon said additional taxable income an  
18 additional tax was due and owing to the United States.  
19 All in violation of Title 26, United States Code, Section 7201.

20 Count 4

21 TAX EVASION

22 [26 U.S.C. § 7201]

23 16. The allegations set forth in paragraphs 1 through 5, and 9  
24 above are realleged as if fully set forth herein.

25 17. Beginning on or about January 1, 2007, and continuing up to  
26 and including at least on or about September 18, 2008, within the  
27 Southern District of California, defendant WILLIAM RICHARD BAILEY  
28 (hereinafter "defendant BAILEY"), who during calendar year 2007 was



1 married, well-knowing and believing that he and his spouse had taxable  
2 income and a tax due and owing for the calendar year 2007, did  
3 willfully attempt to evade and defeat this tax due and owing by him  
4 and his spouse to the United States by committing the following  
5 affirmative acts of evasion, among others, the likely effect of each  
6 of which would be to mislead and conceal their true and correct income  
7 and tax due thereon from proper officers of the United States:

8           a. During the calendar year 2007, defendant BAILEY  
9 received checks from at least two physicians who operated clinics in  
10 San Diego County where defendant BAILEY provided physician services  
11 in exchange for compensation. Defendant BAILEY directed that the  
12 checks be made payable to the name of the "UBO."

13           b. During the calendar year 2007, defendant BAILEY  
14 deposited income from his practice as a physician into a bank account  
15 in the name of the "UBO" created for the purpose of tax evasion.

16           c. During the calendar year 2007, defendant BAILEY  
17 transferred and caused to be transferred funds from the bank account  
18 in the name of the "UBO" to pay for defendant BAILEY's personal  
19 expenses and benefit.

20           d. On or about September 18, 2008, defendant BAILEY  
21 prepared and caused to be prepared and signed a false and fraudulent  
22 U.S. Individual Income Tax Return, Form 1040EZ, for the calendar year  
23 2007, on behalf of himself, which was filed with the Internal Revenue  
24 Service, and which contained and was verified by a written declaration  
25 that it was made under the penalties of perjury and that defendant  
26 BAILEY accurately listed all amounts and sources of income that he  
27 received during the calendar year 2007, and wherein it was stated that  
28 his taxable income for the calendar year 2007 was the sum \$0 and that



1 the amount of the tax due and owing therein was the sum of \$0,  
2 whereas, as he then and there well knew and believed, his taxable  
3 income for the calendar year 2007 was in excess of that heretofore  
4 stated amount and that upon said additional taxable income an  
5 additional tax was due and owing to the United States.

6 All in violation of Title 26, United States Code, Section 7201.

7 Count 5

8 TAX EVASION

9 [26 U.S.C. § 7201]

10 18. The allegations set forth in paragraphs 1 through 5, and 9  
11 above are realleged as if fully set forth herein.

12 19. Beginning on or about January 1, 2008, and continuing up to  
13 and including at least on or about April 15, 2009, within the Southern  
14 District of California, defendant WILLIAM RICHARD BAILEY (hereinafter  
15 "defendant BAILEY"), who during calendar year 2008 was married, well-  
16 knowing and believing that he and his spouse had taxable income and  
17 a tax due and owing for the calendar year 2008, did willfully attempt  
18 to evade and defeat this tax due and owing by him and his spouse to  
19 the United States by committing the following affirmative acts of  
20 evasion, among others, the likely effect of each of which would be to  
21 mislead and conceal their true and correct income and tax due thereon  
22 from proper officers of the United States:

23 a. During the calendar year 2008, defendant BAILEY  
24 received checks from at least two physicians who operated clinics in  
25 San Diego County where defendant BAILEY provided physician services  
26 in exchange for compensation. Defendant BAILEY directed that the  
27 checks be made payable to the name of the "UBO."

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1           b. During the calendar year 2008, defendant BAILEY  
2 deposited income from his practice as a physician into a bank account  
3 in the name of the "UBO" created for the purpose of tax evasion.

4           c. During the calendar year 2008, defendant BAILEY  
5 transferred and caused to be transferred funds from the bank account  
6 in the name of the "UBO" to pay for defendant BAILEY's personal  
7 expenses and benefit.

8           d. On or about April 15, 2009, defendant BAILEY prepared  
9 and caused to be prepared and signed a false and fraudulent U.S.  
10 Individual Income Tax Return, Form 1040A, for the calendar year 2008,  
11 on behalf of himself, which was filed with the Internal Revenue  
12 Service, and which contained and was verified by a written declaration  
13 that it was made under the penalties of perjury and that defendant  
14 BAILEY accurately listed all amounts and sources of income that he  
15 received during the calendar year 2008, and wherein it was stated that  
16 his taxable income for the calendar year 2008 was the sum \$0 and that  
17 the amount of the tax due and owing therein was the sum of \$0,  
18 whereas, as he then and there well knew and believed, his taxable  
19 income for the calendar year 2008 was in excess of that heretofore  
20 stated amount and that upon said additional taxable income an  
21 additional tax was due and owing to the United States.  
22 All in violation of Title 26, United States Code, Section 7201.

23                           Count 6

24                           TAX EVASION

25                           [26 U.S.C. § 7201]

26           20. The allegations set forth in paragraphs 1 through 5, and 9  
27 above are realleged as if fully set forth herein.

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21. Beginning on or about January 1, 2009, and continuing up to and including at least on or about April 15, 2010, within the Southern District of California, defendant WILLIAM RICHARD BAILEY (hereinafter "defendant BAILEY"), who during calendar year 2009 was married, well-knowing and believing that he and his spouse had taxable income and a tax due and owing for the calendar year 2009, did willfully attempt to evade and defeat this tax due and owing by him and his spouse to the United States by committing the following affirmative acts of evasion, among others, the likely effect of each of which would be to mislead and conceal their true and correct income and tax due thereon from proper officers of the United States:

a. During the calendar year 2009, defendant BAILEY received checks from at least one physician who operated a clinic in San Diego County where defendant BAILEY provided physician services in exchange for compensation. Defendant BAILEY directed that the checks be made payable to the name of the "UBO."

b. During the calendar year 2009, defendant BAILEY deposited income from his practice as a physician into a bank account in the name of the "UBO" created for the purpose of tax evasion.

c. During the calendar year 2009, defendant BAILEY transferred and caused to be transferred funds from the bank account in the name of the "UBO" to pay for defendant BAILEY's personal expenses and benefit.

d. On or about April 15, 2010, defendant BAILEY prepared and caused to be prepared and signed a false and fraudulent U.S. Individual Income Tax Return, Form 1040, for the calendar year 2009, on behalf of himself as married filing separately, which was filed with the Internal Revenue Service, and which contained and was



1 verified by a written declaration that it was made under the penalties  
2 of perjury and that defendant BAILEY to the best of his knowledge and  
3 belief submitted a return that was true, correct, and complete, and  
4 wherein it was stated that his taxable income for the calendar year  
5 2009 was the sum \$0 and that the amount of the tax due and owing  
6 therein was the sum of \$0, whereas, as he then and there well knew and  
7 believed, his taxable income for the calendar year 2009 was in excess  
8 of that heretofore stated amount and that upon said additional taxable  
9 income an additional tax was due and owing to the United States.  
10 All in violation of Title 26, United States Code, Section 7201.

11 Count 7

12 TAX EVASION

13 [26 U.S.C. § 7201]

14 22. The allegations set forth in paragraphs 1 through 5, and 9  
15 above are realleged as if fully set forth herein.

16 23. Beginning on or about January 1, 2010, and continuing up to  
17 and including at least on or about October 19, 2011, within the  
18 Southern District of California, defendant WILLIAM RICHARD BAILEY  
19 (hereinafter "defendant BAILEY"), who during calendar year 2010 was  
20 married, well-knowing and believing that he and his spouse had taxable  
21 income and a tax due and owing for the calendar year 2010, did  
22 willfully attempt to evade and defeat this tax due and owing by him  
23 and his spouse to the United States by committing the following  
24 affirmative acts of evasion, among others, the likely effect of each  
25 of which would be to mislead and conceal their true and correct income  
26 and tax due thereon from proper officers of the United States:

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1           a. During the calendar year 2010, defendant BAILEY  
2 received checks from at least one physician who operated a clinic in  
3 San Diego County where defendant BAILEY provided physician services  
4 in exchange for compensation. Defendant BAILEY directed that the  
5 checks be made payable to the name of the "UBO."

6           b. During the calendar year 2010, defendant BAILEY  
7 deposited income from his practice as a physician into a bank account  
8 in the name of the "UBO" created for the purpose of tax evasion.

9           c. During the calendar year 2010, defendant BAILEY  
10 transferred and caused to be transferred funds from the bank account  
11 in the name of the "UBO" to pay for defendant BAILEY's personal  
12 expenses and benefit.

13           d. On or about October 19, 2011, defendant BAILEY prepared  
14 and caused to be prepared and signed a false and fraudulent joint U.S.  
15 Individual Income Tax Return, Form 1040, for the calendar year 2010,  
16 on behalf of himself and his spouse, which was filed with the Internal  
17 Revenue Service, and which contained and was verified by a written  
18 declaration that it was made under the penalties of perjury and that  
19 defendant BAILEY to the best of his knowledge and belief submitted a  
20 return that was true, correct, and complete, and wherein it was stated  
21 that the joint taxable income for the calendar year 2010 was the sum  
22 \$0 and that the amount of the tax due and owing therein was the sum  
23 of \$0, whereas, as he then and there well knew and believed, his joint  
24 taxable income for the calendar year 2010 was in excess of that  
25 heretofore stated amount and that upon said additional joint taxable  
26 income an additional tax was due and owing to the United States.  
27 All in violation of Title 26, United States Code, Section 7201.

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## TAX EVASION

[26 U.S.C. § 7201]

25. Beginning on or about January 1, 2011, and continuing up to and including at least on or about October 17, 2012, within the Southern District of California, defendant WILLIAM RICHARD BAILEY (hereinafter "defendant BAILEY"), who during calendar year 2011 was married, well-knowing and believing that he and his spouse had taxable income and a tax due and owing for the calendar year 2011, did willfully attempt to evade and defeat this tax due and owing by him and his spouse to the United States by committing the following affirmative acts of evasion, among others, the likely effect of each of which would be to mislead and conceal their true and correct income and tax due thereon from proper officers of the United States:

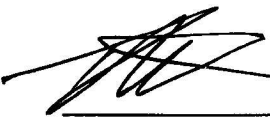
b. During the calendar year 2011, defendant BAILEY deposited income from his practice as a physician into a bank account in the name of the "UBO" created for the purpose of tax evasion.

c. During the calendar year 2011, defendant BAILEY transferred and caused to be transferred funds from the bank account in the name of the "UBO" to pay for defendant BAILEY's personal expenses and benefit.

1           d.     On or about October 17, 2012, defendant BAILEY prepared  
2 and caused to be prepared and signed a false and fraudulent joint U.S.  
3 Individual Income Tax Return, Form 1040, for the calendar year 2011,  
4 on behalf of himself and his spouse, which was filed with the Internal  
5 Revenue Service, and which contained and was verified by a written  
6 declaration that it was made under the penalties of perjury and that  
7 defendant BAILEY to the best of his knowledge and belief submitted a  
8 return that was true, correct, and complete, and wherein it was stated  
9 that the joint taxable income for the calendar year 2011 was the sum  
10 \$0 and that the amount of the tax due and owing therein was the sum  
11 of \$0, whereas, as he then and there well knew and believed, his joint  
12 taxable income for the calendar year 2011 was in excess of that  
13 heretofore stated amount and that upon said additional joint taxable  
14 income an additional tax was due and owing to the United States.  
15 All in violation of Title 26, United States Code, Section 7201.

16           DATED: August 15, 2013.

17                           A TRUE BILL:

18  
19                             
20                           Foreperson

21           LAURA E. DUFFY  
22           United States Attorney

23           By: 

24                   JOSEPH J.M. ORABONA  
25                   Assistant U.S. Attorney  
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27  
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